

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 TREASURE CHEST THEMED VALUE
4 MAIL, INC.,

5 Plaintiff,

6 v.

17 CV 1 (NRB)

7 DAVID MORRIS INTERNATIONAL,
8 INC.,

9 Defendant.

10 New York, N.Y.
11 April 17, 2018
12 2:45 p.m.

13 Before:

14 HON. NAOMI REICE BUCHWALD,

15 District Judge

16 APPEARANCES

17 KNOX LAW GROUP, P.C.
18 Attorneys for Plaintiff
19 BY: DANIEL KNOX

20 LEHMAN LAW GROUP LLC
21 Attorneys for Defendant
22 BY: BRIAN LEHMAN
23 JULIE SOLARZ
24
25

1 (Case called)

2 THE DEPUTY CLERK: Is the plaintiff present and ready
3 to proceed?

4 MR. KNOX: Yes.

5 THE COURT: State your name for the record, please.

6 MR. KNOX: Daniel Knox, Knox Law Group.

7 THE COURT: Is the defendant present and ready to
8 proceed?

9 MR. LEHMAN: Yes. Brian Lehman and Julie Solarz from
10 Lehman Law Group LLC.

11 THE COURT: We scheduled this conference a few weeks
12 ago and issued an order with respect to this conference on the
13 10th of April. The purpose of the conference is to see if we
14 can sort of jointly cut through the underlying issue in the
15 case which is essentially raised by the defendant in which the
16 defendant asserts justifies their failure to pay the claim of
17 Treasure Chest.

18 And to put it succinctly and not necessarily in the
19 exact language of the parties, the defendant's position is that
20 they were promised a targeted list for their product of
21 vacation packages, and since they received no business after
22 the mailing, they've raised the issue of whether the list was
23 really targeted or not.

24 So I'm hopeful that we can learn from plaintiff's
25 counsel. Demonstrate to me and to the defendant how the

plaintiff goes through this list of names that it has to ascertain which individuals are good targets for the mailing.

So I asked that you bring ten hard copy sheets. Let's also make one thing very clear. I don't think anybody -- defendants, certainly not me -- has any interest in learning, retaining any piece of information that the plaintiff describes as a trade secret.

I'm not going into the business of mailing. I don't think defense counsel is going into the business of mailing. Besides, if you showed me a list of 30 names and then turned them over, unless I concentrated on one, I couldn't recite the others. So this is not material that one can retain. So I don't think we ought to be concerned about there being some invasion of plaintiff's proprietary interests.

So can you show me those ten sheets.

MR. KNOX: May I step up?

THE COURT: Do you have copies for the defendant?

MR. KNOX: I did not bring copies for the defendant. I brought copies for the Court's view. I apologize for not bringing a second copy.

THE COURT: Why don't we make a copy so we can all talk about the same thing. We'll give you back all the copies at the end.

MR. KNOX: All right.

(Pause)

1 THE COURT: So, Mr. Knox, let's just start with the
2 first page. We'll just say the woman named Stephanie. Okay?

3 MR. KNOX: Okay.

4 THE COURT: I can tell that's a name. So the columns
5 are the address. The fourth is a ZIP code; right? The second
6 from the right.

7 MR. KNOX: Yes.

8 THE COURT: Can you explain what is the last column.

9 MR. KNOX: The last column is just the additional four
10 digits of the ZIP code.

11 THE COURT: So then how does this list in any way
12 distinguish between -- let me go back.

13 This is the list or part of the list from which the
14 plaintiff selects names to send ads, little inserts, for the
15 defendant's product. Right?

16 MR. KNOX: Correct.

17 THE COURT: How would you use this list to target
18 recipients of defendant's advertisement?

19 MR. KNOX: The list itself is comprised of individuals
20 who have sort of opted in. So by way of sending postcards back
21 to my client, signing up online to receive ads in the mail for
22 travel-related materials. It's not a list where specific names
23 are selected there from for targeting. Every individual on
24 this list has opted in to receive advertising material related
25 to travel.

1 THE COURT: I asked for ten pages.

2 In hard-copy terms, how many pages long is your
3 client's list? Let me go back.

4 These are ten pages of a list which is kept on a
5 computer; correct?

6 MR. KNOX: I believe so. This particular list -- the
7 list was sent to me by my client's third-party IT, so to speak.
8 So they store it and sent it over. So it's not just a file
9 that's sitting on a laptop belonging to my client.

10 THE COURT: Where is the file? Where is the list
11 kept?

12 MR. KNOX: It was sent to me by a third party. I have
13 a copy at this point, but my client himself did not have one on
14 his laptop at the time.

15 THE COURT: So some other company maintains Treasure
16 Chest's list? Or some other company has its own list? Let me
17 just ask that question.

18 MR. KNOX: Well, it's Treasure Chest's list. The list
19 itself derives from individuals and families sending
20 information directly to my client. And there is also a portion
21 of the list that was purchased by outside sources.

22 THE COURT: How many names in total are on this list?

23 MR. KNOX: I can't say exactly. I was looking at it
24 this morning. So it's 1,000,040 plus.

25 THE COURT: These ten pages are printouts from a list

1 of over a million names; correct?

2 MR. KNOX: Yes.

3 THE COURT: And are all of the names on the
4 million-plus list people who have expressed an interest in
5 receiving travel packages?

6 MR. KNOX: Yes. That's the way my client explained it
7 to me.

8 THE COURT: So that means that your client also has
9 other lists that are totally distinct in which people have
10 expressed an interest in some other endeavor?

11 MR. KNOX: No. My client's business is specifically
12 related to the travel industry. Essentially this list is his
13 business.

14 THE COURT: Are there any other columns in this list
15 that have not been reproduced on this spreadsheet that you gave
16 me?

17 MR. KNOX: No.

18 THE COURT: Exactly how did your client compile this
19 list?

20 MR. KNOX: It's from several different forms, so to
21 speak. There are individuals who sign up on the website to
22 receive like a chance to enter a sweepstakes and to receive
23 travel-related advertisements.

24 There are hard-copy cards, postcards, that were filled
25 out and sent back to him with the same information. And there

1 are also a portion of it that was purchased from other similar
2 sources, so to speak, like magazines, travel magazines, that
3 operated the same way. Those names were purchased from them,
4 and ultimately it was compiled into this list.

5 THE COURT: How long has your client been in business?

6 MR. KNOX: I believe it's over 20 years. I can't say
7 for certain at the moment.

8 THE COURT: But a considerable amount of time?

9 MR. KNOX: Yes.

10 MR. LEHMAN: On his website it says 1991 I believe.

11 THE COURT: Okay.

12 MR. KNOX: If it's helpful, my client also has larger
13 clients like Carnival Cruises and other large businesses of the
14 sort.

15 THE COURT: So this list targets people who are
16 interested broadly in travel or targets people that are
17 interested in cruises?

18 MR. KNOX: I believe it's travel in general, but
19 that's the majority of my client's clients are cruise lines.

20 THE COURT: If this is the totality of the information
21 that your client maintains, there is no method for
22 differentiating between various people on the list for one
23 purpose or another?

24 MR. KNOX: No. I don't believe so.

25 THE COURT: Mr. Lehman, do you have any other

1 questions about this list which I failed to ask which of course
2 could happen?

3 MR. LEHMAN: Maybe two. The first would be was this
4 the only list that was used for the purpose of benefiting my
5 client? Were there other lists floating out there?

6 MR. KNOX: No. This is the spring 2016 list that was
7 used. This is what was contracted in the contract, and this is
8 the only list for that period of time.

9 MR. LEHMAN: The second question is: Where are the
10 emails? Because we get a reply card that they produced in
11 discovery that they list the emails on there. There are no
12 emails on this list, and when you sign up on the website, it's
13 signed up through emails, and they ask you a series of
14 questions.

15 MS. SOLARZ: As part of the contract, I believe it was
16 guaranteed 300,000 minimum followup of weekly digital
17 impressions. So there would have been some type of email
18 component.

19 THE COURT: Could I see what you're referring to.
20 Let me sort of learn more. First, what is this
21 postcard?

22 MR. KNOX: The postcard is something that a consumer
23 could send back in order to be included --

24 THE COURT: How would the consumer get this?

25 MR. KNOX: They get it in a mailing which is the

1 envelope that you were provided with.

2 THE COURT: In other words, someone who has not asked
3 to receive this mailing?

4 MR. KNOX: No. It would be the names from the list.

5 THE COURT: Wait a second. That kind of goes both
6 ways. I thought that you said --

7 MR. KNOX: Your Honor, I believe I understand the
8 question. When an individual on the list receives the
9 advertisement, they also receive a postcard where they can
10 actually sign up friends and family, so to speak.

11 THE COURT: Okay. So the postcard is inside this
12 envelope.

13 MR. KNOX: Yes.

14 THE COURT: With these various glossy pages.

15 MR. KNOX: Yes. Those would be the other companies
16 that are participating in that same season's campaign.

17 THE COURT: But all these materials have been sent to
18 somebody who has already expressed interest in travel?

19 MR. KNOX: Yes. And that's exactly what the list is.
20 It's what the list is comprised of.

21 THE COURT: But what mechanism do you use to get the
22 list in the first place? In other words, this is what you're
23 sending to people that are already on your list.

24 How do you get the list? Not the one you purchase,
25 but you said before that it's comprised of people who have sent

back postcards I assume like this.

MR. KNOX: Right.

THE COURT: Now you're saying that this envelope would have been sent to somebody who was already on the list. So the postcard doesn't expand your list.

MR. KNOX: I'm sorry if I was confusing before. Nonetheless, I can't tell you where the list originally came from from day one. That information I don't have, but I know that certain portions were purchased from existing magazines, from my client compiling the list, from opt-ins, and it was also opted in online.

So essentially it boils down to, as far as the opt-ins go, running a sweepstakes online on the website, if you want to enter for a chance to win a free three-night vacation to this point. In addition to that, they would opt in to the mailing list thereafter.

THE COURT: Okay.

MR. LEHMAN: Your Honor, my question is: Where are the emails? Because when you opt in online, you only opt in with emails, or you opt in with both your address and your emails, but from what I've seen, you only opt in with emails. So we have a complete list here. There are numerous other questions I could ask. The first question is: Where are the emails that people sent to you when they opted in to your sweepstakes and on the postcard?

1 MR. KNOX: To that I would say if there's been an
2 oversight on this, I would have to confer with my client. This
3 is exactly what I received. I just received it yesterday in
4 preparation for today. If there is anything else, I would
5 actually have to ask my client as far as specific emails.

6 MR. LEHMAN: That's the moving target that I have been
7 facing. When I ask inquisitive or what I consider to be
8 questions to demonstrate that this process was faulty, I start
9 to get, we don't know yet. Then I get a new answer.

10 THE COURT: There's really no excuse for not knowing
11 when you're coming into court in response to a direction to
12 bring your list and that list is the list. I don't know in
13 advance what's on it, but you're supposed to have it all.

14 I don't even understand. How would an email system
15 work here if what you want the plaintiff to deliver for you is
16 a piece of paper?

17 MR. LEHMAN: The contract says that they'll do two
18 things. The first is that they'll do a direct-mail campaign to
19 at least 730,000 vacationers. The sponsor will also receive
20 300,000 followup weekly digital impressions through
21 September 30, 2016, for two products. So there are two things.
22 One is the mailing, and one is the digital impressions which is
23 emails, the emails that you could sign up for right now.

24 But even if it was just the paper, even if it was just
25 the postcard that people somehow got and wrote down, some

1 amount of those people would put their email down. In fact, I
2 believe that most people would rather put down their email than
3 their address, their actual physical address. That's a little
4 bit speculative.

5 Nowhere on this actual list -- this is the same list
6 that we saw in terms of columns when we went to Mr. Knox's
7 office. Where are those emails?

8 MR. KNOX: Your Honor, not to evade the question at
9 all, but in order to, I guess, solve the problem that we have
10 here is to see if any of these individuals actually booked from
11 the client, we would need their addresses, which is everything
12 on this list, names and addresses. We've proposed what's
13 called a match-back, in which case defendant during his
14 deposition an my client both agreed that this is the standard
15 in the industry.

16 They refused to give us the names of those who have
17 booked in order to permit us to perform a match-back. I
18 believe that if we were able to do that, we would be able to
19 discern whether or not any of their bookings are attributable
20 directly to this list.

21 THE COURT: Isn't their position that they got no hits
22 whatsoever?

23 MR. LEHMAN: Yes, your Honor.

24 MR. KNOX: If that's the case, then where is the harm?

25 THE COURT: There is no harm unless they have to pay

1 you for something that they didn't get.

2 MR. KNOX: I don't believe a cost was discussed among
3 the parties.

4 MR. LEHMAN: I didn't hear the question, your Honor.

5 THE COURT: Aren't you suing for unpaid bills?

6 MR. KNOX: I'm sorry. I'm referring directly to a
7 cost of performing the match-back.

8 THE COURT: The point is Treasure Chest sent these
9 mailings on a certain day, supposedly did followup by email.
10 The followup is by email; right?

11 MR. KNOX: It should have been a followup by email if
12 anything.

13 THE COURT: Over how many weeks was Treasure Chest to
14 have been doing mailings on behalf of the defendant?

15 MR. KNOX: I believe it's over the course of about
16 three or four months.

17 THE COURT: Does that seem right to you?

18 MR. LEHMAN: We'd have to talk to the client on "over
19 the course of three or four months." Your Honor, one, I do
20 want to object to the characterizations of what was said that I
21 agreed to or didn't agree to. I'd have to hear what he thinks
22 we agreed to.

23 The reason why the match-back is unneeded is because
24 the deal that our client put together had a special price and a
25 special code that you could only have received if you got one

1 of the inserts. No one else had it, and they got zero from
2 that. So there is no need for a match-back.

3 MR. KNOX: If I may, your Honor. The match-back would
4 only be to address whether or not they received anything.
5 Beyond that, there was no guarantee made that they would
6 absolutely make money from their campaign except a free
7 followup which is in the contract. So if my client fell short
8 of performing his duties, then they would have gotten a
9 followup the following season advertising free. It would have
10 been included.

11 Beyond that, it's advertising. You can't guarantee
12 that someone through a campaign is going to make a certain
13 amount of money. So in that respect, it seems rather
14 irrelevant that they didn't make any money on it.

15 THE COURT: It's not that they didn't make any money.
16 I don't think the statement is we didn't make a profit. I
17 think what the defendant is saying is we did not receive a
18 nibble in response.

19 And what they're saying is if you had a legitimate,
20 targeted list of people who were actually interested in travel
21 and you sent a mailing to something like 750,000 people, that
22 mathematically one would expect some level of response and that
23 when there is zero response, that that calls into question
24 whether, A, you ever mailed anything; B, whether you were using
25 a list that was a legitimate, targeted list of travelers.

1 That's the point.

2 No one is saying that the defendant had to make a
3 certain amount of money. I think that's the problem here.

4 MR. KNOX: My client's position would be that --

5 THE COURT: Tough luck?

6 MR. KNOX: Not necessarily. It's more along the lines
7 of there are other clients that were satisfied and continue to
8 work with him over the years, and this one client, who it's my
9 client's position that that was not necessarily the highest
10 quality of product or they didn't have the brand recognition
11 necessary.

12 THE COURT: How long has the defendant been in
13 business?

14 MR. LEHMAN: You could Google it online. I'm going to
15 guess 25 years, 30 years.

16 THE COURT: In other words, this was not your first
17 rodeo?

18 MR. LEHMAN: No, not at all.

19 MR. KNOX: To be clear, it's the exact product that
20 they were advertising this time. So it's a new company, a
21 European cruise company, and Auto Euro, which is a car company,
22 again, in Europe.

23 MR. LEHMAN: Your Honor, there are a lot of responses
24 I have to a lot of what's been said. The reason why I'm here
25 today was because of a discovery issue because this is similar,

1 if not exactly the same, as what I saw when I went to
2 Mr. Knox's office, and it instantly looks like this list is
3 completely inappropriate.

4 There are no emails. These are cruises to Cuba.
5 These are Silver Seas, which is a high-end cruise ship. I
6 don't know Stephanie. I don't know how many cruises she's been
7 on. I don't know how many vacations she's taken last year.

8 By the way, when you sign up online, they ask you
9 similar questions on what used to be called Treasure Chest and
10 what's now called World's Greatest Vacation. I don't have any
11 of the information that's on this list.

12 What I've been told is that they took that mailing,
13 they used this list, they sent it out, and we got zero
14 responses. I also have a response for why someone like
15 Carnival would get a response on match-backs, because you just
16 mailed it to 700,000 people. If you ask Carnival who booked on
17 your last trip, you're going to get some overlap with a million
18 people. That doesn't mean the product works. Again, the
19 reason why I'm here today is discovery.

20 THE COURT: So I think what we've sort of in a sense
21 discovered is that we don't have or have not had produced to
22 you was an email list that was utilized in connection with your
23 contract, if there is such a thing that exists. I don't know.

24 MR. LEHMAN: The problem I'm facing is every time I
25 raise a problem with what I'm looking at, then the answer is

changing. The conference today was to produce the list that they relied upon. Apparently he did, but there are no emails on it.

So I don't want another production where now they say, well, here are the emails, and they say, well, what about this problem? What about that problem? I just want the list or some subset of it, and that's what I'm looking at. I'm looking at exactly what they produced before in his office.

THE COURT: At that time did you say, where are the emails?

MR. LEHMAN: No, because as a litigator, I'm going to know how to play my cards. I believe that the plaintiff is lying. I believe that he's committing fraud. That's what I've alleged.

When I'm dealing with someone who is lying or committing fraud, I'm very careful about when I unveil my questions because I think he's going to lie in the future to cover it up.

MR. KNOX: Your Honor, if I may. I have to object to my adversary's statement that answers have changed. I don't know what statements he's referring to. And my client hasn't been deposed yet. So, again, it seems a little off that there would be questions posed and answers changing when there hasn't been a deposition.

MR. LEHMAN: So I can give an example of one answer

1 that changed. I asked Mr. Shane, how do you know that these
2 people can afford a cruise? He paused. He waited, and he
3 said, well, I would use their ZIP codes.

4 Okay. So where is the information on the money that
5 was for each ZIP code?

6 MR. KNOX: Where is the change?

7 THE COURT: The point is that if that's your answer,
8 you ought to have a document that supports the notion that if
9 you live in certain ZIP codes that you're wealthier. That's
10 the point.

11 MR. LEHMAN: The change would be that now I'm only
12 looking at a partial list because there must be some other
13 document out there that has ZIP code incomes.

14 THE COURT: Would you do this to kind of bring this,
15 at least for today, to an end since there are other people in
16 the courtroom waiting. Could you write a document demand now
17 based on what you know?

18 So your demand shouldn't be, give me all the
19 documents. You can do that too but a document demand that is
20 very specific seeking the lists of email addresses that were
21 utilized, seeking the ZIP code information, things that you now
22 know. And then we can direct that their responses be sworn to.

23 MR. LEHMAN: Sure.

24 THE COURT: And if we're going to deal with the same
25 issue of this is a trade secret, the responses can be sent to

me, and we can come back again.

MR. LEHMAN: Yes, your Honor.

THE COURT: How about that?

Do you have any other suggestions as to going forward?

MR. LEHMAN: I generally wish that the plaintiff would just send you the list that he used for this mailing, the whole list, to just you. It's frustrating. If Samsung and Google can have massive lawsuits where they have tons of proprietary information trading back and forth, certainly we can. As a lawyer if I say I'm not going to turn this over even to my client, surely --

THE COURT: We can do attorneys' eyes only protective order. That works for me.

MR. LEHMAN: That works for me.

MR. KNOX: I would accept that, your Honor. I would agree.

THE COURT: So you need to then turn over to Mr. Lehman everything your client claims to have relied on in this mailing. As I say, we can reconvene if we have more problems.

MR. LEHMAN: Your Honor, there were two other issues.

THE COURT: Sure.

MR. LEHMAN: The first is that plaintiff has only produced one or two emails that plaintiff sent to us. We produced the emails sent to them. We also haven't seen any of

1 the emails, for example, that they sent to the people who
2 printed these things saying, here is this semester's mailing.

3 In addition, their objections don't comply with
4 amended Rule 34. When they say something like it would be too
5 burdensome to produce that, then they're required to describe
6 what subset of documents they're withholding and why it would
7 be too burdensome, and we don't have that.

8 THE COURT: I would be really pretty surprised if
9 there was anything that qualified here. I can understand that
10 none of us want pages of documents with 750,000 or a million
11 names on them, but for our purposes, it really doesn't matter.
12 A random selection -- which, by the way, we have absolutely no
13 way of knowing if this is random at all. We just don't. I
14 don't know if it's in compliance with what I asked for or it's
15 not because there are no page numbers.

16 MR. LEHMAN: Well, your Honor, for example, on my
17 document request number 5, the plaintiff makes very specific
18 representations such as plaintiff has "an 8 percent response
19 rate." That's 5(e) on page 4 I believe.

20 Is there a document that supports that they have an
21 8 percent response rate?

22 THE COURT: What I'm suggesting to you that you can
23 now, because you know more, instead of serving a document
24 request which says give me everything, you can make a more
25 specifically targeted request and see what, if anything, is

1 produced in response.

2 From your point of view, zero is the best response.
3 No response is the best response. No production.

4 MR. LEHMAN: I agree with that except that one of the
5 reasons why they amended Rule 34 is to say --

6 THE COURT: I'm not talking about burdensome. I'm
7 talking about there are no documents in response to this
8 request.

9 MR. LEHMAN: But I don't know that that's true because
10 that statement has not been made.

11 THE COURT: But my point is if you target your
12 document requests carefully, then you increase the chances of
13 the response having to be there are no documents in response to
14 your request. It's the good way to write a complaint to compel
15 the answer to actually tell you something. So that's what I
16 suggest you do next. Then you can contact me for help. Okay?

17 MR. LEHMAN: Okay.

18 THE COURT: Fair enough. Anything else?

19 MR. LEHMAN: No.

20 MR. KNOX: Just so I understand, your Honor will be
21 issuing a protective order?

22 THE COURT: No. You guys have to write it. I'll sign
23 it, unless you start paying me \$100 an hour. I don't write
24 things, except opinions.

25 MR. KNOX: Understood. Thank you, your Honor.

1 THE COURT: Let me return all of these to you. Also
2 the advertising package.

3 (Adjourned)